

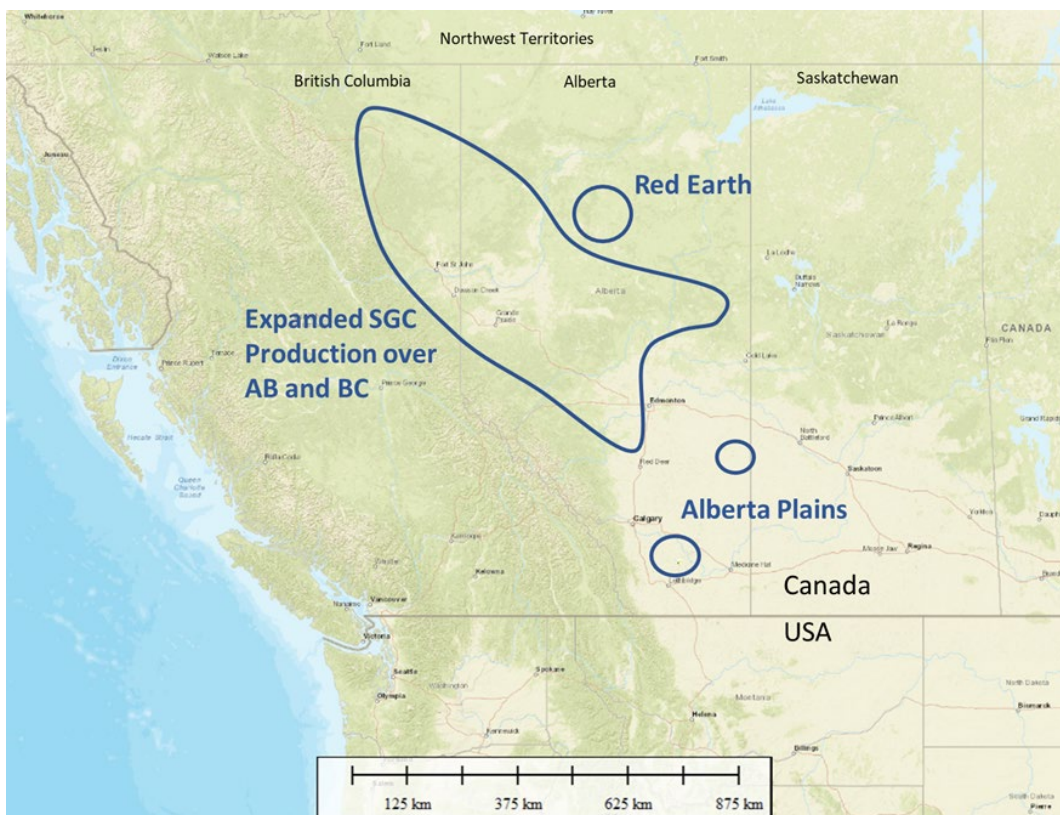
Announcement to ASX

28 April 2021

Xstate to Acquire 1500 BOEPD Net of Canadian Oil and Gas Production

- XST to acquire approximately 1500 BOEPD from Producing Gas and Oil Fields in Alberta and British Columbia, Canada (“ABC Assets”)
- Takes XST’s share of production, after acquisitions in Canada to ~1800 BOEPD
- Remaining Proved Plus Probable (2P) Reserves of 8.03 million BOE (Net to Xstate) estimated by Independent Evaluator at 30 September 2020
- Purchase Price: CAD \$1 million cash (~A\$1.03 million) and 71.4 million XST shares at an issue price of 0.7 cents each (A\$500,000)
- Acquisition to be funded from existing cash and cash flows from Producing Assets.

Xstate Resources Limited (ASX:XST) (“Xstate” or “the Company”) is pleased to report that it has signed an agreement with private company Blue Sky Resources Ltd to acquire 25% of Blue Sky’s Working Interest (WI) in oil and gas producing asset in Alberta and British Columbia, Canada (the “ABC Assets”). The ABC Assets consist of non-operated WI and Royalty Interests in 31 gas and oil fields and associated infrastructure.



Location of ABC Assets in Alberta and British Columbia, Canada

The acquisition by Xstate is subject to regulatory approvals and the completion of the acquisition of the ABC Assets by the vendor Blue Sky Resources Limited. The acquisition is also subject to 45 days due diligence by Xstate.

Xstate's asset purchase price is AUD\$1.03 million plus the issue of 71,428,571 Xstate shares to the value of AUD\$500,000 at a deemed issue price of AUD\$0.007 per share (16.7% premium to Closing Price on 26 April 2021) at closing of the acquisition (the issue of the shares is subject to shareholder approval). A deposit of C\$300,000 has been paid, which is refundable should XST not proceed based on due diligence. Closing of the purchase is expected in the 3rd Quarter of calendar 2021.

Current ABC Asset production is around 1500 BOEPD net to XST's acquired WI. This takes Xstate's share of total production in Canada (post this acquisition) to 1800 BOEPD.

As estimated by an independent evaluator the Net to XST Remaining Reserves (after oil and gas lease royalty has been deducted) at 30 September 2020, are as depicted in the following table:

ABC Asset Reserves Table – (30 September 2020)	100% Working interest (million BOE)	Net Entitlement to XST Interest (million BOE)	Percentage Liquids (Oil + NGL BOE) / (Total BOE)
Proved Developed Producing (PDP)	10.68	2.67	25%
Proved Undeveloped (PUD)	6.24	1.56	34%
Total Proved (1P) Reserve	16.92	4.23	28%
Probable Reserves (Prob)	15.20	3.80	30%
Total Proved plus Probable (2P) Reserves	32.12	8.03	29%
Possible (Poss) Reserves	25.76	6.44	48%
Total Proved Plus Probable Plus Possible (3P) Reserves	57.88	14.47	37%

NB: NGL: Natural Gas Liquids, Volumetric gas to oil ratio 6:1

Further ASX Listing Rule 5.31 Information (Notes to Reserves) related to these reserves is provided in Attachments 1 and 2 below.

At current prices, the Assets are cash flow positive.



The Assets acquisition can be funded from cash reserves and cash flows from Xstate's producing assets.

Xstate Managing Director, David McArthur commented: *"We are pleased to add this suite of producing assets to our Canadian Producing Portfolio. We are building a company of scale in Canada and these assets will be integral to this process. The assets are highly complementary to our existing production, with all production operated by our close and trusted partner in Canada, Blue Sky Resources Limited."*

This release is authorised by the Board of the Company.

***David McArthur
Managing Director
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About Xstate Resources Limited

Xstate Resources (**ASX:XST**) is an ASX listed company focused on the oil and gas sector. The Company has existing assets located in the Sacramento Basin in California and associated production interests together with production interests in Alberta Canada. Xstate is presently pursuing new opportunities in the oil and gas sector in North America.

Attachment 1 – Notes to Reserves

Additional Information Required under Chapter 5 of the ASX Listing Rules to be read as Notes to Reserves:

The Reserves were estimated by qualified Independent Reserve Evaluator and Global energy consulting firm Sproule Associates Limited and have been classified in accordance with the Canadian standards set out in the Canadian Oil and Gas Evaluation Handbook (COGEH) and National Instrument 51-101 (NI 51-101), which are in turn consistent with SPE-PRMS guidelines. They have been reviewed in detail by XST's Competent Person, Mr Greg Channon, who is also a Non-Executive Director of Xstate. Mr Channon is a qualified geoscientist with over 35 years of oil and gas industry experience and a member of the American Association of Petroleum Geologists and the South East Asian Exploration Society and is a graduate of the Australian Institute of Company Directors. He is qualified as a competent person in accordance with ASX listing rule 5.41. Mr Channon consents to the inclusion of the information in this report in the form and context in which it appears.

QUALIFIED PETROLEUM RESERVES AND RESOURCE EVALUATOR REQUIREMENTS

The reserves and resources information in this Australian Stock Exchange ("ASX") document are based on and fairly represent information from a report compiled by Sproule Associates Limited ("Sproule") relating to oil and gas fields in the Asset Properties. The report was prepared effective 30 September 2020 under the supervision of Gary Finnis who is qualified in accordance with ASX listing rule 5.41.

Gary Finnis, P Eng. is a Senior Engineering Manager of Sproule, has a Bachelor of Science Degree in Civil Engineering from the University of Alberta, and is a Registered Professional Engineer in the Province of Alberta. He is qualified in accordance with ASX listing rule 5.41.

Sproule and its named employees and associates have consented to be named in this manner in this release. Sproule have not reviewed the Assets since September 2020 and changes may have occurred since that date.

- 1. The basic information employed in the preparation of the Reserve Estimates was obtained from the operator's files, public sources and from Sproule non-confidential files. A field inspection of the properties was not conducted in view of the generally accepted reliability of the data sources for Western Canada properties. The Reserves estimates presented herein were based on the operating and economic conditions and development status as of 30 September 2020.***
- 2. The Reserve Estimates in this release use the average forecast price and costs of Sproule Associates Limited as of September 2020 for the future crude oil, natural gas and natural gas product prices presented in Canadian dollars (Refer to Tables P1 and P2 (Attachment 2)).***

3. *The crude oil Reserves estimates presented in this release were based on a review of the volumetric data and performance characteristics of the individual wells and reservoirs in question. Volumetric estimates of the original oil in-place were based on individual well petrophysical interpretations, geological studies of pool configurations, and in some cases on published estimates. In those cases where indicative oil production decline and/or increasing gas-oil and oil cut trends were evident, the remaining reserves were determined by extrapolating these trends to economic limiting conditions. Where definitive production information was not yet available, the reserves estimates were usually volumetrically determined using recovery factors based on analogy with similar wells or reservoirs or on estimates of recovery efficiencies. The cumulative production figures were taken from published sources or from records of the Operator and estimated for those recent periods where such data were not available.*
4. *The natural gas reserves estimates for non-associated gas and gas cap pools were based on a study of the volumetric data and performance characteristics of the individual wells and reservoirs in question. Volumetric estimates of the initial gas in-place were based on individual well petrophysical interpretations, geological studies of the pools and areas, and in some cases on published estimates. Material balance estimates of the initial gas in-place were employed where sufficient information was available for a reliable estimate. The reserves recoverable from the currently producing properties were estimated from studies of production performance characteristics and/or reservoir pressure histories. In cases of competitive drainage in multi-well pools the reserves were based on an analysis of the relevant factors relating to the future pool depletion by existing and possible future wells. The recovery factors for the non-producing properties were estimated from a consideration of test rates, reservoir pressures and by analogy with similar wells or reservoirs. Natural gas Reserves estimates for solution gas production from producing crude oil properties were based on an analysis of producing gas-oil ratios and existing sales gas recoveries. Solution gas reserves were assigned to non-producing oil properties where there was a likelihood of those reserves being recovered and sold from existing facilities or facilities that are expected to be available in the near future.*
5. *As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, conclusions necessarily represent only informed professional judgement.*
6. *The Reserves have been estimated using Deterministic Methods and have been summed arithmetically and have not been adjusted for risk. The reserves are estimates and may increase and decrease as a result of market conditions, future operations including reactivations and fracture stimulations, enhanced recovery through waterfloods or changes in regulations, or actual reservoir performance. Estimates are based on certain assumptions including, but not limited to, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the Operator to recover the volumes, and that projections of future production will prove consistent with actual performance. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received, and costs incurred may vary from assumptions made.*

7. *The reserve estimates in the Asset Reserves Table are Net to XST WI after Addition or Deduction of Royalty Reserves as appropriate.*
8. *The Producing Reservoirs are predominantly conventional sandstone reservoirs, and some carbonate reservoirs as well.*
9. *XST will acquire its WI at Closing. XST is acquiring a Non-Operated interest. The Operator will be a Blue Sky Resources Limited company or the current Operator of individual projects as determined by the legal circumstances.*
10. *Leases are Crown (Government awarded) Leases. Many leases are Held By Production (HBP); annual rentals are paid on leases that are not HBP. Royalty paid to the Government is based upon a formula where lower producing wells attract lower royalty. In the past, based upon gross production, the production royalty averaged around 7.5%.*
11. *Based on local reservoir experience fracture stimulation, waterflooding and EOR may significantly increase reserves over time. The economic benefit and use of these techniques will be determine by economic analysis in the future.*
12. *No specialised processing of the oil or gas is required.*

Reserves Classifications used in this Release

1P Denotes higher confidence, lower estimate of Reserves (i.e., Proved Reserves).

2P Denotes the best estimate of Reserves and is the sum of Proved plus Probable Reserves.

3P Denotes a lower confidence estimate of reserves and is the sum of Proved plus Probable plus Possible Reserves.

RESERVES DEFINITIONS

The petroleum reserves estimates presented in this release have been based on the definitions and guidelines prepared by the Standing Committee on Reserves Definitions of the CIM (Petroleum Society) as presented in the COGE Handbook. A summary of those definitions is presented below.

Reserves Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- *analysis of drilling, geological, geophysical and engineering data;*
- *the use of established technology; and*
- *specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.*

Reserves are classified according to the degree of certainty associated with the estimates

- **Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved Reserves.
- **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable Reserves.
- **Possible reserves** are those additional reserves that are less certain to be recovered than Proved plus Probable Reserves. It is unlikely that the actual remaining quantities recovered will be greater than the sum of the estimated Proved plus Probable plus Possible Reserves.

Development and Production Status

Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories:

- **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
- **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest-level at which reserves calculations are performed) and to reported reserves (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved + probable reserves.

Attachment 2

Tables P1 and P2

Table-P-1												
Oil-Price-Forecasts,-Inflation-and-Exchange-Rates-(\$Cdn)												
Effective-September-30,-2020												
Year	Light-Crude-Oil					Heavy-&-Medium-Oil				Inflation & Exchange		
	WTI Cushing 40° API (\$/bbl)	UK Brent 38° API (\$/bbl)	Canadian Light Sweet Crude 40° API (\$/bbl)	Synthetic Crude Oil Edmonton 33.5° API (\$/bbl)	Cromer L SB 35° API (\$/bbl)	Hardisty Heavy 12° API (\$/bbl)	Western Canada Select 20.5° API (\$/bbl)	Hardisty Bow River 24.5° API (\$/bbl)	Cold Lake Blend 22.5° API (\$/bbl)	Operating Cost Inflation Rate (%/Yr)	Capital Cost Inflation Rate (%/Yr)	Exchange Rate (\$US/\$Cdn)
Historical												
2015	48.80	53.64	57.45	62.25	55.57	40.42	44.83	45.35	43.60	1.8%	-18.7%	0.78
2016	43.32	45.04	52.80	58.17	51.35	34.08	38.89	39.22	37.69	1.2%	-9.7%	0.76
2017	50.95	54.83	61.85	67.75	61.45	45.76	50.24	50.56	49.04	1.7%	2.4%	0.77
2018	64.77	71.53	68.49	74.95	73.06	44.74	52.34	53.11	51.14	2.4%	4.2%	0.77
2019	57.02	64.17	68.87	75.32	69.68	55.11	58.77	59.10	57.57	-0.7%	0.4%	0.75
Forecast												
2020	42.00	45.00	49.35	52.35	49.35	34.55	38.31	40.47	37.51	0.0%	0.0%	0.77
2021	47.00	50.00	53.85	59.85	52.85	36.08	41.03	41.46	40.00	1.0%	1.0%	0.78
2022	53.00	55.00	61.25	67.37	60.25	44.71	48.75	49.61	47.53	2.0%	2.0%	0.80
2023	57.00	59.00	66.15	72.39	65.13	48.95	53.40	54.24	52.07	2.0%	2.0%	0.80
2024	58.14	60.18	67.47	73.84	66.43	49.93	54.47	55.33	53.11	2.0%	2.0%	0.80
2025	59.30	61.38	68.82	75.32	67.76	50.93	55.56	56.43	54.17	2.0%	2.0%	0.80
2026	60.49	62.61	70.20	76.82	69.12	51.95	56.67	57.56	55.25	2.0%	2.0%	0.80
2027	61.70	63.86	71.60	78.36	70.50	52.99	57.80	58.71	56.36	2.0%	2.0%	0.80
2028	62.93	65.14	73.03	79.93	71.91	54.05	58.96	59.89	57.48	2.0%	2.0%	0.80
2029	64.19	66.44	74.50	81.53	73.35	55.13	60.14	61.09	58.63	2.0%	2.0%	0.80
2030	65.48	67.77	75.99	83.16	74.81	56.23	61.34	62.31	59.81	2.0%	2.0%	0.80

Escalation Rate of 2.0% thereafter

Table-P-2												
Natural-Gas-and-Natural-Gas-By-Products-Price-Forecasts,-Various-Trading-Points-(\$Cdn)												
Effective-September-30,-2020												
Year	Henry Hub Price (\$/MMbtu)	IPE Britain-NBP (\$/MMbtu)	AECO-C Spot (\$/MMbtu)	Alliance-Chicago-Spot (\$/MMbtu)	B.C. Westcoast Station-2 (\$/MMbtu)	Huntingdon/Sumas 30-day Spot (\$/MMbtu)	Dawn (\$/MMbtu)	Ethane Plant Gate (\$/bbl)	Edmonton Propane (\$/bbl)	Edmonton Butane (\$/bbl)	Edmonton Pentanes Plus (\$/bbl)	Plant Gate Sulphur (\$/H)
Historical												
2015	2.63	6.50	2.70	3.54	1.81	2.96	3.78	7.49	6.17	36.81	61.45	75.88
2016	2.55	4.73	2.18	3.21	1.75	2.91	3.41	6.05	13.60	34.32	55.71	30.08
2017	3.02	5.86	2.19	3.69	1.59	3.53	3.95	6.11	28.77	44.11	67.21	41.85
2018	3.07	7.87	1.53	3.92	1.25	4.72	4.07	6.90	27.00	33.65	79.31	81.31
2019	2.53	4.85	1.80	3.20	1.04	6.47	3.22	5.00	17.16	23.71	71.39	37.54
Forecast												
2020	2.90	2.50	2.86	3.62	2.76	3.26	3.67	7.92	18.00	21.82	50.65	3.00
2021	2.90	4.69	2.54	3.56	2.44	3.46	3.62	7.04	21.13	30.13	56.41	3.06
2022	3.00	5.63	2.58	3.59	2.48	3.52	3.65	7.15	23.68	36.44	62.43	3.12
2023	3.06	5.74	2.63	3.67	2.53	3.59	3.72	7.29	26.14	41.33	67.35	3.18
2024	3.12	5.85	2.68	3.74	2.58	3.66	3.79	7.44	26.67	42.15	68.70	3.25
2025	3.18	5.97	2.74	3.81	2.63	3.73	3.87	7.59	27.20	42.99	70.07	3.31
2026	3.25	6.09	2.79	3.89	2.68	3.81	3.95	7.74	27.74	43.85	71.47	3.38
2027	3.31	6.21	2.85	3.97	2.73	3.88	4.03	7.89	28.30	44.73	72.90	3.45
2028	3.38	6.33	2.90	4.05	2.79	3.96	4.11	8.05	28.86	45.63	74.36	3.51
2029	3.45	6.46	2.96	4.13	2.84	4.04	4.19	8.21	29.44	46.54	75.85	3.59
2030	3.51	6.59	3.02	4.21	2.90	4.12	4.27	8.37	30.03	47.47	77.36	3.66

Escalation Rate of 2.0% thereafter